Good Morning Commissioner McCarty, staff and Consumer Advocate James

My name is Mel Montagne and I am the President of Fair Insurance Rates in Monroe. I am also a property and casualty insurance agent in Monroe County. FIRM is a grassroots organization that was formed in 2006 in response to skyrocketing windstorm insurance premiums.

FIRM continues its mission to move toward residential, condominium and commercial property insurance rates in Monroe County that are neither excessive, discriminatory, nor unaffordable. We will strive to sustain and support our Keys communities by instigation of appropriate physical and financial property protection. We also continue to support the development of a Federal National Catastrophe Program and/or a Coastal Catastrophe Plan.

On this the 23rd anniversary of Hurricane Andrew I cannot help but reflect on how far we have come and how much further we need to go to reach that perfect balance of rate adequacy and affordability.

The Citizens Property Insurance Corportation's (CPIC) proposed rates , forms, and practices should be scrutinized to ensure the ultimate rate to the homeowner meets Florida Statute approved forms and rates. It is our understanding that they may not accurately reflect modeled losses and therefore the indicated rates may be too high.

As you well know Citizens is the predominant windstorm provider in Monroe county insuring anywhere from 85% to 95% of the insured properties.

I will summarize the points for the sake of brevity but I have provided a flash drive with all of the relevant backup data.

I ask that you consider the following issues while approving the latest Citizens rate change request.

1. **Restore Mitigation Credits to conform with statute.**

CPIC should be required to provide mitigation credits for opening protection with Class C shutters; Class C shutter credits should be restored without policyholder action; and reimburse all who were required to pay additional policy costs. Florida Statues 627.0629 Residential property insurance; rate filings (1) (a), attached, specifically requires

> **"…** that insurers must provide savings to consumers who install or implement windstorm damage mitigation techniques, alterations, or solutions to their properties to prevent windstorm losses… the fixtures or construction techniques shall include …opening protection …which meet the minimum requirements of the Florida Building Code must be included in the rate filing."

The statute goes on to state that

> "The office [OIR] shall determine the discounts, credits, other rate differentials, and appropriate reductions in deductibles that reflect the full actuarial value of such revaluation, which may be used by insurers in rate filings."

It is our position that the words "must provide" indicate that CPIC must provide mitigation discounts in conformance with the OIR approved Wind Premium Credits for Existing Structures. In addition, it is our position that CPIC must follow the statute and Florida Building Code (FBC) in determining an approved opening protection device. The 2010 FBC states

> **"R301.1.3 Engineered design.**
> When a building of otherwise conventional construction contains structural elements exceeding the limits of Section R30 1 or otherwise not conforming to this code, these elements shall be designed in accordance with accepted engineering practice. The extent of such design need only demonstrate compliance of nonconventional elements with other applicable provisions and shall be compatible with the performance of the conventional framed system. Engineered design in accordance with the *Florida Building Code, Building* is permitted for all buildings and structures, and parts thereof, included in the scope of this code.
>
> **"R301.2.1.1 Design criteria.**
> In regions where the ultimate design wind speeds, V_{ult}, from Figure R301.2(4) equal or exceed 115 miles per hour (45 m/s) the design of buildings shall be in accordance with one of the following methods. The elements of design not addressed by those documents in Items 1 through 8 shall be in accordance with this code…."

Further in the code it states

> "Wood structural panels with a minimum thickness of $^{7}/_{16}$ inch (11 mm) and a maximum span of 8 feet (2438 mm) shall be permitted for opening protection in one- and two-story buildings. Panels shall be precut and attached to the framing surrounding the opening containing the product with the glazed opening. Panels shall be predrilled as required for the anchorage method and shall be secured with the attachment hardware provided. Attachments shall be designed to resist the component and cladding loads determined in accordance with either Table R301.2(2) or ASCE 7, with the permanent corrosion-resistant attachment hardware provided and anchors permanently installed on the building. Attachment in accordance with Table R301.2.1.2 is permitted for buildings with a mean roof height of 33 feet (10 058 mm) or less where V_{asd} determined in accordance with Section R301.2.1.3 does not exceed 130 miles per hour (58 m/s)."

The 2010 *Study of Florida's Windstorm Mitigation Credits* prepared for the Florida Legislature by RMS (RMS, 2012, p. 89) indicates that the identical home in Terrain C with no opening protection and clips should have a premium credit of 0.18 with no opening protection, 0.38 with "Basic" protection and 0.44 with "Hurricane" opening protection (p. 89). According to RMS, approximately 2.36% of the state, or 106,551 units, have basic shutters, and another 14%

have FBC shutters (p. 100). Please see excerpt below. Yet, CPIC had unilaterally stopped crediting home owners for basic shutters, and FBC Class C shutters.

Exhibit A-11: Windstorm Mitigation Credits adopted in March 2007 (Form OIR-B1-1699) [104]

WINDSTORM LOSS REDUCTION CREDITS
SECTION 627.0629(1), F.S.
WIND PREMIUM CREDITS FOR EXISTING CONSTRUCTION

				TERRAIN B - 2% DEDUCTIBLE				TERRAIN C - 2% DEDUCTIBLE			
				FRAME, MASONRY, OR REINFORCED MASONRY							
				ROOF SHAPE				ROOF SHAPE			
				OTHER		HIP		OTHER		HIP	
ROOF COVER	ROOF DECK ATTACHMENT	ROOF-WALL CONNECTION	OPENING PROTECTION	NO SWR	SWR	NO SWR	SWR	NO SWR	SWR	NO SWR	SWR
NON - FBC EQUIVALENT	A (6d @ 6" / 12")	TOE NAILS	None	0.00	0.06	0.47	0.50	0.00	0.07	0.28	0.32
			Basic - Windows or All	0.35	0.42	0.62	0.65	0.29	0.38	0.56	0.62
			Hurricane - Windows or All	0.44	0.51	0.66	0.70	0.39	0.48	0.64	0.72
		CLIPS	None	0.35	0.42	0.62	0.66	0.18	0.26	0.44	0.51
			Basic - Windows or All	0.47	0.54	0.68	0.73	0.38	0.48	0.64	0.72
			Hurricane - Windows or All	0.50	0.57	0.70	0.74	0.44	0.54	0.68	0.76
		SINGLE WRAPS	None	0.35	0.43	0.62	0.67	0.20	0.28	0.45	0.51
			Basic - Windows or All	0.47	0.55	0.68	0.73	0.39	0.49	0.64	0.72
			Hurricane - Windows or All	0.50	0.58	0.70	0.74	0.44	0.54	0.68	0.76
		DOUBLE WRAPS	None	0.35	0.43	0.62	0.66	0.21	0.28	0.45	0.51
			Basic - Windows or All	0.47	0.55	0.68	0.73	0.39	0.49	0.64	0.72
			Hurricane - Windows or All	0.50	0.58	0.70	0.74	0.44	0.54	0.68	0.76
			None	0.00	0.14	0.49	0.53	0.00	0.14	0.29	0.33

(RMS, 2010, p. 89)

CPIC's policy of not providing credits for these shutters not only is a violation of state law and unfair for those counties which required shutters well before the state mandated it, but is unfair for the individual homeowners that invested in mitigation efforts as urged by the Florida Legislature and Division of Emergency Management. It is our belief that the actions make the rate filing not actuarially sound.

2. **<u>We believe the choice of "terrain" CPIC uses for Monroe County homes, and possibly many other locations in the state, in the rate filing is inaccurate and punishes the homeowners which mitigate for terrain more than those that do not.</u>**

CPIC defines terrain exposure categories differently than the catastrophe models define them. The models define the exposures based on American Society of Civil Engineers (ASCE) standards, similar to the Florida Building Code (FBC). In some locations the FBC mandates owners to mitigate wind damage on new construction by requiring owners to build to terrain exposures greater than the actual definitions of the ASCE based on recent literature (Vickery, etc.) This requirement to building to exposure C (or D) when the actual terrain is truly a B is in

itself a mitigation feature. Yet if CPIC is reporting exposure B buildings incorrectly as exposue C via it's direction in the underwriting manual. If the model inputs given to the modeling company is wrong, CPIC is ultimately overcharging the homeowners.

The following statement is from the CPIC underwriting manual (ed.2/2014 pg CRW-13):

> **"C. COMMERCIAL RESIDENTIAL CLASSIFICATION DEFINITIONS**
> 1. Terrain Exposure Category Definitions
> Apply Exposure Category (terrain) definitions from the Florida Building Code as follows:
> Exposure C (open terrain with scattered obstructions) applies to: All locations in HVHZ (Miami-Dade and Broward Counties).
> a. Barrier islands as defined per s. 161.55(4), Florida Statutes, as the land area from the seasonal high water line to a line 5,000 feet landward from the Coastal Construction Control line.
> b. All other areas with 1,500 feet of the coastal construction control line, or within 1,500 feet of the mean high tide line, whichever is less.
> c. All other Citizens Coastal Account (Wind Only) eligible insuring areas."

The Florida Building Code actually does not have those definitions, rather it defines terrains B and C as:

> **"Surface Roughness B.** Urban and suburban areas, wooded areas or other terrain with numerous closely spaced obstructions having the size of single-family dwellings or larger.
>
> **"Surface Roughness C.** Open terrain with scattered obstructions having heights generally less than 30 feet (9144 mm). This category includes flat open country and grasslands. This surface roughness shall also apply to any building located within surface roughness B-type terrain where the building is within 100 feet horizontally in any direction of open areas of surface roughness C- or D-type terrain that extends more than 600 feet (182.9 m) and width greater than 150 ft. in the upwind direction. Short-term (less than two year) changes in the pre-existing terrain exposure, for the purposes of development, shall not be considered surface roughness C. Where development buildout will occur within three years and the resultant condition will meet the definition of surface roughness B, surface roughness B shall be regulating for the purpose of permitting. This category includes flat open country and grasslands and shall extend downwind for a distance of 1500 feet."
>
> **"Surface Roughness D.** Flat, unobstructed areas and water surfaces. This category includes smooth mud flats, salt flats and unbroken ice."

The FBC then explains how to interpret exposure categories:

> **"R301.2.1.4.3 Exposure categories.**
> An exposure category shall be determined in accordance with the following:
>
> **"Exposure B.** For buildings with a mean roof height of less than or equal to 30 feet, Exposure B shall apply where the ground surface roughness, as defined by Surface Roughness B, prevails in the upwind direction for a distance of at least 1,500 feet (457 m). For buildings with a mean roof height greater than 30 feet, Exposure B shall apply where Surface Roughness B prevails in the upwind direction for a distance of at least 2,600 feet (792 m) or 20 times the height of the building, whichever is greater.
>
> **Exposure C.** Exposure C shall apply for all cases where Exposures B or D do not apply."
>
> **Exposure D.** Exposure D shall apply where the ground surface roughness, as defined by Surface Roughness D, prevails in the upwind direction for a distance of at least 5,000 feet (1524 m) or 20 times the height of the building, whichever is greater. Exposure D shall also apply where the ground surface roughness immediately upwind of the site is B or C, and the site is within a distance of 600 feet (183 m) or 20 times the building height, whichever is greater, from an exposure D condition as defined in the previous sentence.

Why CPIC chooses to apply terrain exposure categories differently than the ASCE, models or the FBC is unknown. The use of Terrain C in all of the wind-only book of business is discriminatory to many homeowners whose structure are in Terrain B. The use of falsely high terrain inputs to the models will cause unfair rates.

3. **<u>The high default values for contents coverage based on structure values does not produce accurate rates.</u>**

The default selection of contents coverage in the CPIC rate filing may be significantly higher than the actual contents an owner has, and therefor, the owner may be charged for more insurance then they could ever make a claim for. The Florida Public Model, as reported to the FCHLPM, has an underwriting assumption that the "value of structure, contents, etc. are equal to their respective policy limits" (FPM, 2010, p. 183). Therefor it is more likely for small expensive homes, like those that are found in Monroe County, to be overcharged for contents

coverage, while equal size homes in less expensive counties automatically have lower contents coverage.

4. **<u>The current definition of transient occupancy or any definition of transient occupancy</u>**

While we understand that the Citizens definition for this is driven by the Florida Hurricane Cat fund contract and the definition of transient occupancy contained theirn we continue to question the definition and the bearing that it has on the peril of windstorm

5. Recommended rate filing executive summary – presented at the Board of Governors Meeting on 6-24-2015

On page 6 of the summary, there is a lenghty hypothetical scenario dealing with reinsuring excess of the FHCF retention up to the 100 year PML. We believe that this could be viable and prudent if it is well fleshed out but we would ask that the entire process be conducted using the RFP process and that they include the direct writers in the resinsuarnce industry.

In conclusion, if these items are indeed incorrect, as we believe an actuary and hurricane risk vulnerability risk engineer should concur with these findings as part of the OIR review, Monroe County homeowner's indicated rates are are too high, unfair and descriminatory, and the indicated rtaes cannot be acturarily sound as is required Florida statute for a rate increase.